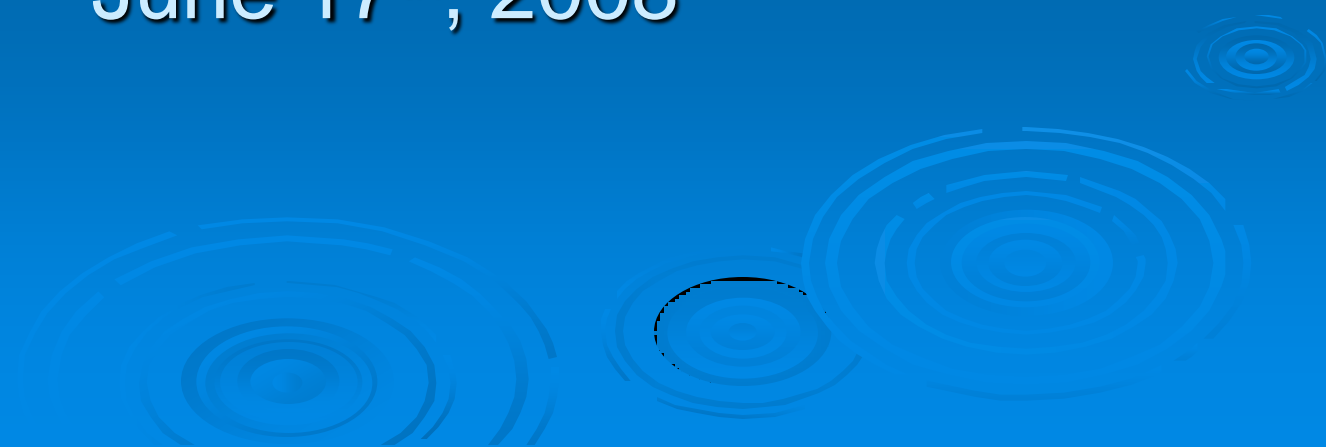


Wichita Water Utilities


City Council Workshop
June 17th, 2008



Wichita Water Utilities

Wichita Water Utilities is a true enterprise;
not funded by tax dollars, but by
revenues from billing for service

In 2007, WWU contributed \$10.3 million
to the City of Wichita which included
payment in lieu of franchise fees and
public safety service fees

The background of the slide features several concentric circles representing water ripples, rendered in a lighter shade of blue than the background, located primarily in the lower right and bottom center areas.

Pricing Structure

Uses average of customer's winter water usage to gauge their seasonal (discretionary) water use

Seasonal use contributes to peak demand on system. Cost of providing service increases when demand is higher

Structure equitably assigns costs of peak demands to those who cause it

At mercy of weather extremes: wet year, less revenue

Pricing Structure

Each customer pays a base charge based on the size of meter:

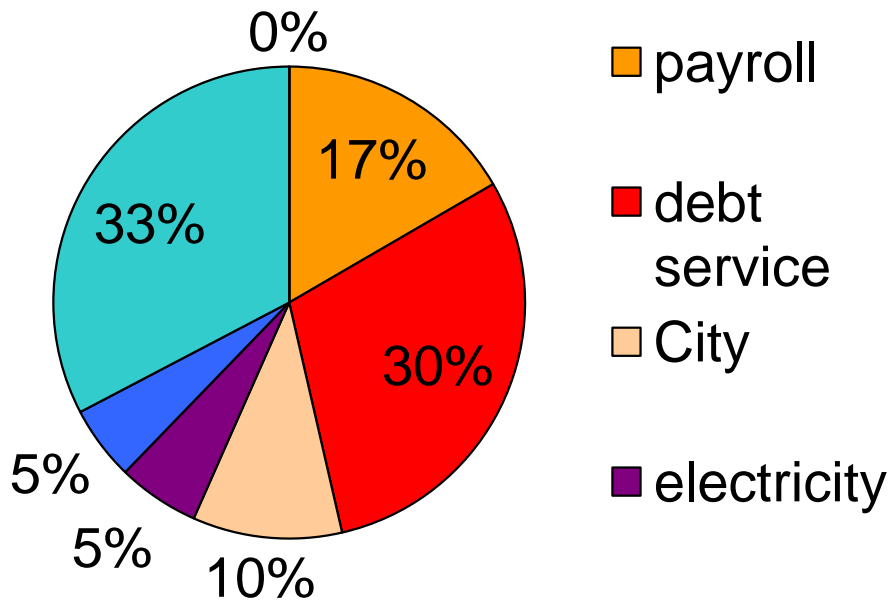
5/8 inch	\$6.27
3/4 inch	\$6.32
1 inch	\$6.52
1 1/2 inch	\$6.79
2 inch	\$7.50
3 inch	\$12.87
4 inch	\$14.86
6 inch	\$19.49
8 inch	\$24.78
10 inch	\$28.10
12 inch	\$35.38

Block rate billing:

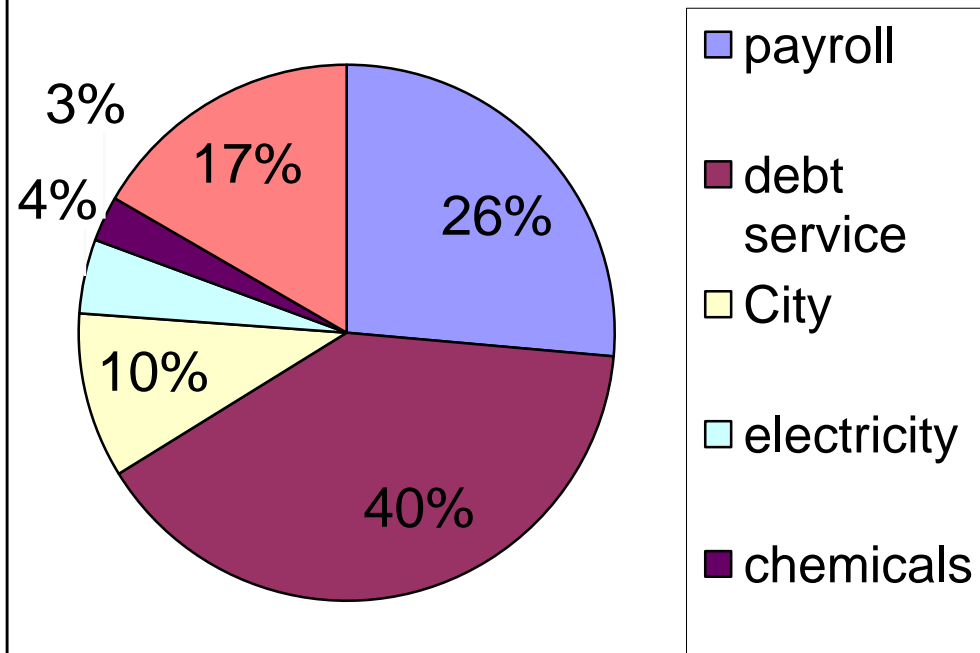
- Up to 110% of AWC billing at lowest rate per 1000 gallons (currently \$.88)
- 111%-310%: 2nd block rate (currently \$3.17)
- 311% & over: highest block rate (currently \$4.76)

Water and Sewer Expenses (2008 Approved)

Water Expenses

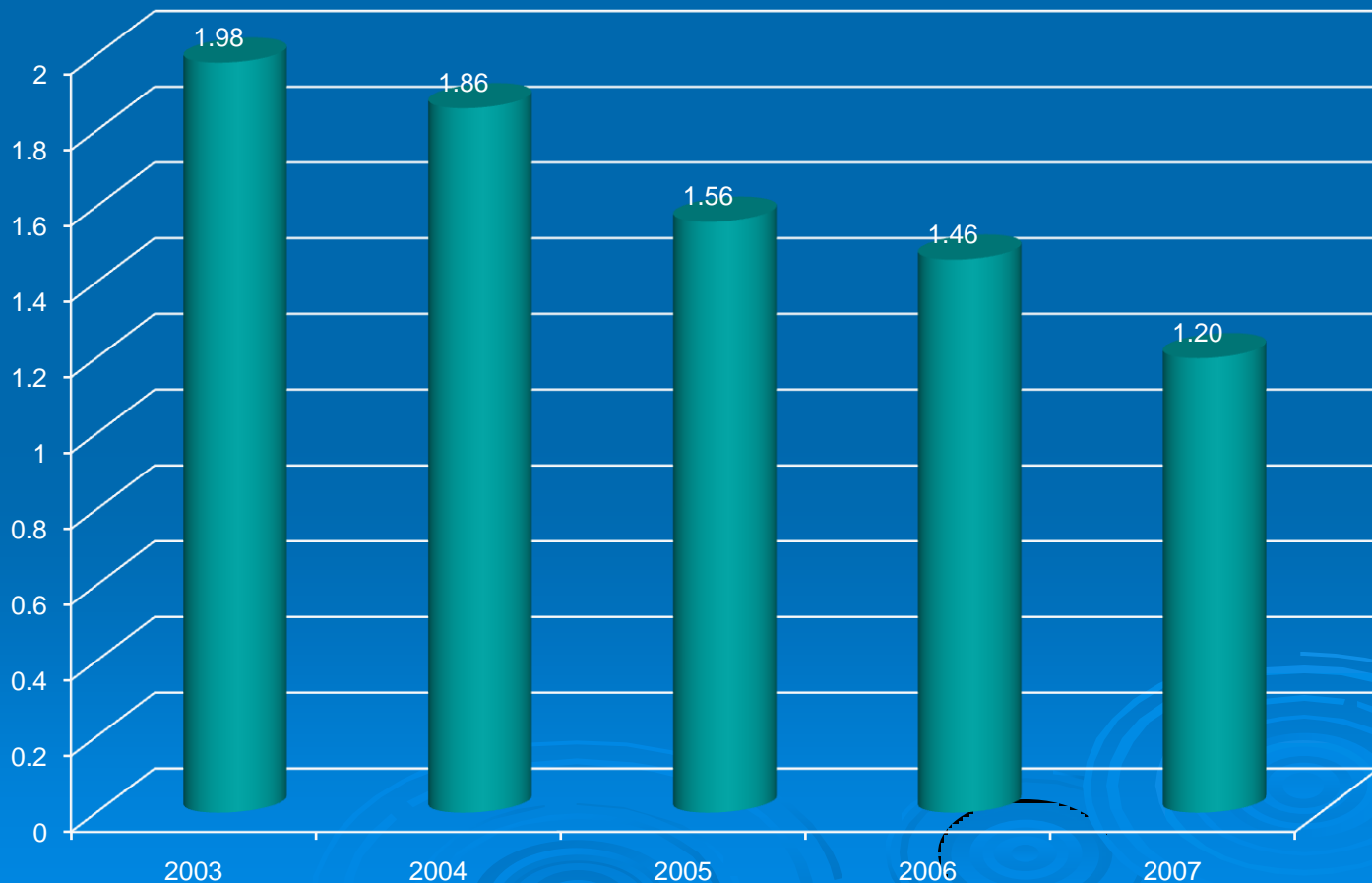


Sewer Expenses



Payments like Payroll and Debt Service are not variable

Historical Debt Service Coverage Ratios



Bond Covenants

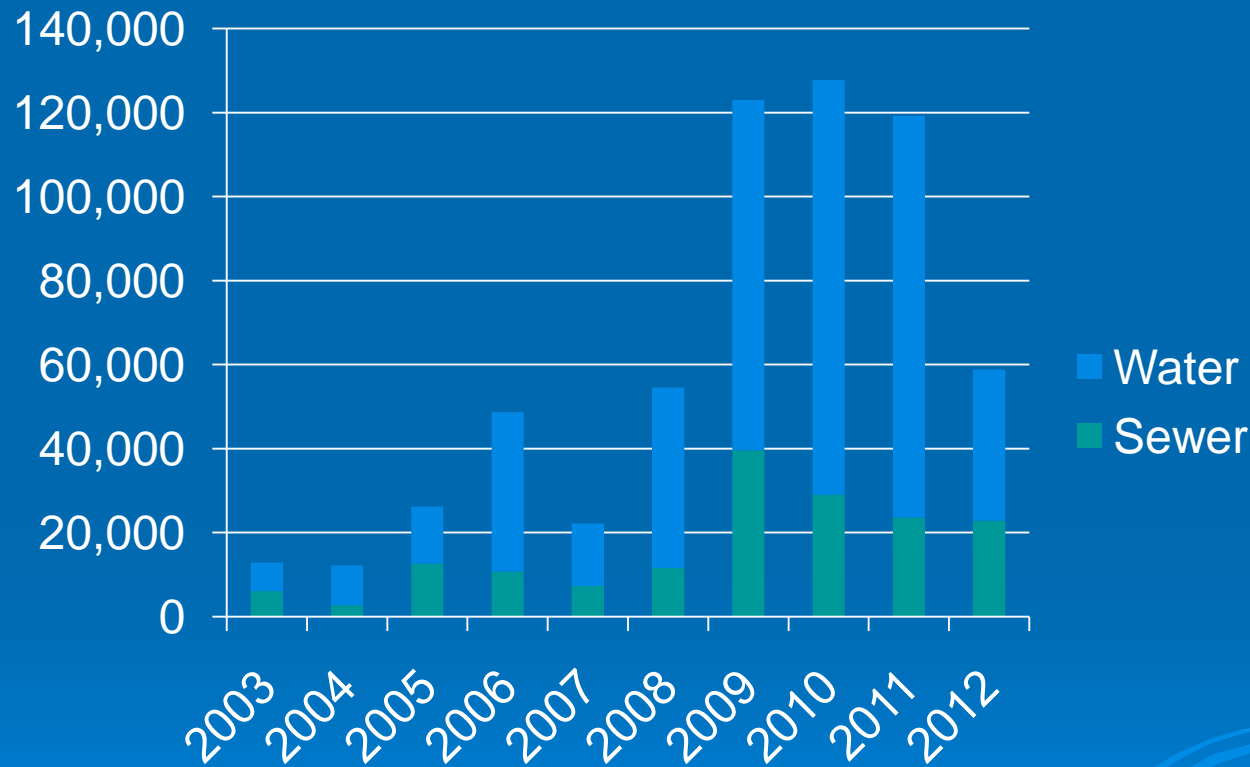
Water Utilities must maintain debt service coverage of no less than 1.2 annually

If the debt service coverage of at least 1.2 is not maintained as required by the bond covenants:

- WWU will be unable to issue debt
- Capital projects will cease
- Bond ratings for future issues could be lowered
- Likely increase in borrowing rates for future bond issuances

Water and Sewer CIP Expenses 2003-2012

(shown in millions)



Impact of capital expenditures on rates :

\$4 million in capital = \$305,000 in debt service = 1% increase in revenue requirements

Rate Management

The system of capital expenditure management and rate management are important because:

- The consequences of investments and capital projects extend far into the future and affect future generations;
- Decisions to invest or not to invest are often irreversible and can have a significant impact on future capital programs; and
- Decisions about maintaining a capital improvement program can significantly influence a community's ability to grow and prosper.

Due Diligence

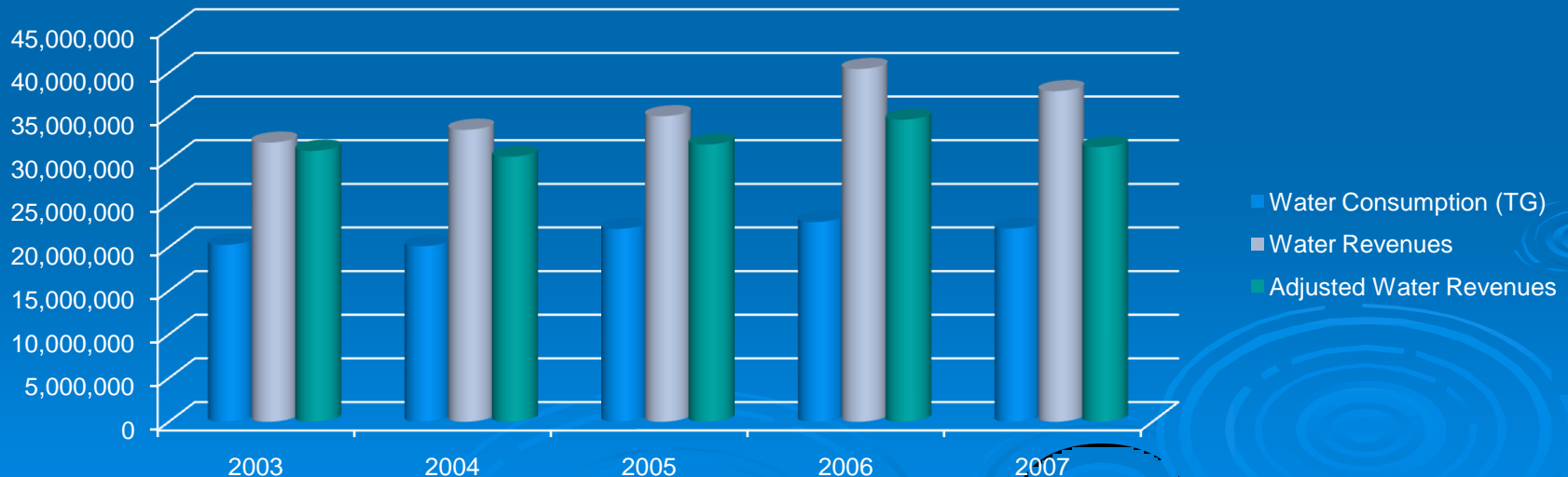
Water Utilities staff have taken steps to manage rate increases:

- Restructured, backloaded, refinanced debt
- Automation of operations
- Restructured CIP to save money while focusing on service delivery and system integrity

Rate Increases

Rates have been increased in small increments over the past 5 years, yet revenues have not increased respectively

Water Consumption & Revenues



Necessary Revenue & Debt Service Coverage Ratios

Need additional Revenues of \$14.5 million in 2009; \$10.1 million in Water revenues & \$4.4 million in Sewer revenues

Incorporate Revenue Stability Enhancement to improve reliability of revenue stream

Debt Service Coverage Ratios						
		2008	2009	2010	2011	2012
	Rate increase	8%	6%	6%	6%	6%
Rate increase Restructured debt	Debt Service	1.25	1.41	1.24	1.22	1.24
Rate increase, Restructured debt Revenue Enhancement in 2009	Debt Service	1.25	1.51	1.32	1.31	1.32
Rate increase, Restructured debt Revenue Enhancement 2009-2012	Debt Service	1.25	1.40	1.26	1.27	1.31

Low Water & Sewer Rates

Black & Veatch conducted survey of top 50 cities comparing water/wastewater rates

- Wichita placed in top 10 in all 4 consumption categories:
Residential Low, Residential High, Commercial, Industrial
- Wichita's rates are 40% below national average

Average monthly residential (low) bill	
Nationwide	\$50.01
Wichita	\$30.26
Oklahoma City, OK	\$41.01
Denver, CO	\$36.74
Kansas City (BPU)	\$49.07

*Based on 2007 survey data

Recommendation

- Revenue Productivity Improvement
- Rate increase to produce \$14.5 revenue in 2009
- Maintain debt service coverage ratio above 1.2
- Provide revenues necessary to maintain pipes and enhance livable neighborhoods
- Assure future water supply and competitive rates to attract business and industry



water is life

and infrastructure makes it happen™